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EDIC/M-10
Control No.
3 June 1955

ECONOMIC DEFENSE INTELLIGENCE COMMITTEE

Minutes of 10th Meeting

10:15 - 12:15, 2 June 1955

PRESENT

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[REDACTED]

Lt. Col. Brown, OSD
Mr. Hamilton, AFOIN
Mr. Reiss, Commerce
Mr. Herman, Commerce
Mr. Shavell, Commerce
Mr. Martin, State/MC
Miss Worthing, State/OIR
Mrs. Rado, State/OIR
Mrs. Young, State/ECD
Miss Baldwin, FOA
Mr. Tilson, FOA/MDAC
Miss Lincoln, FOA/MDAC

REPORT ON PENDING CASES:

PATTERN OF SOVIET BLOC STRATEGIC EXPORTS TO THE WEST (EDIC Case 10)

1. Discussion - EDIC/ID-13 of 27 April 1955, "Exports of Capital
had been
Equipment and Industrial Materials from the Soviet Bloc" ~~was~~ transmitted
to EDIC with a request for "comment and incorporation of other examples,
including additional information compiled by CIA." The Commerce and FOA

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members indicated that they will provide additional material for incorporation in the paper which will be forwarded to the Executive Committee.

INTELLIGENCE ON TRADE IN DECONTROLLED COMMODITIES (EDIC CASE 9)

2. Discussion - The OSD member reported that preliminary work had been undertaken in Defense in connection with the list of "Manufacturers of Deleted Items" provided by Commerce and that C-2 will be requested to follow through on this project. Note: Commerce has provided OSD with a supplemental memorandum dated 1 June on "Manufacturers of Deleted Item 1110 - Gas liquefying equipment."

INFORMATION ON FIRMS REPORTEDLY PURCHASING AND OPERATING SHIPS FOR COMMUNIST CHINA (EDIC CASE 6)

3. Discussion - State/ECD has requested information on the activities of two firms allegedly operating on behalf of the Chinese Communists:

- a) John Manners and Co. and Southern Commercial Co., both of Hong Kong, and, b) Far East Enterprising Co. Ltd., Hong Kong. [redacted] reported 25X1A9a that work has been undertaken, in collaboration [redacted] to provide 25X1X6 the desired information.

PENDING BLOC SHIPBUILDING ORDERS (EDIC CASE 5)

25X1A9a 4. Discussion - [redacted] reported on this case which was introduced as an Intelligence Request by MDAC and State/ECD at the meeting of 28 April. He indicated that shortage of personnel has delayed production of desired information which will be used by EDAC in its consideration of current CUSCOM merchant shipping control proposals.

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DELEGATE PROPOSAL FOR EXCHANGE OF INFORMATION ON CHINA TRADE (EDIC CASE 4)

5. Discussion - The OIR member informed the Committee that the questions raised in CA 5316 of 14 February 1955 were not included in the recent conversations with [REDACTED]. OIR feels that further attempts should be made through USRO channels to accomodate his request for an exchange of information. 25X1X6

6. Action - The Committee agreed that disposition of this case would be deferred pending completion of the EIC B-1, S-4 exercise.

SOVIET TRADE TRENDS AND TACTICS: SOVIET BLOC EXPORTATION OF PETROLEUM (EDIC CASE 3)

7. Discussion - Miss Lincoln referred to an early MDAC request (Intelligence Request No. 3 of 8 December 1954) in which EDIC had been asked to provide the Executive Committee with an up-to-date version of OIR Intelligence Report No. 6714, "Soviet Bloc Trade Trends and Tactics in Petroleum" (and other referenced documents) to emphasize the Soviet trade policy and tactics aspects of petroleum sales and offers. She indicated that EDIC had not yet furnished such a paper in form for release to COCOM. The OIR member explained that State had objected to such a paper being submitted to COCOM and that, in any event, OIR Report No. 6714 was now outdated. The Acting Chairman noted that certain comments had been provided to Mr. Gordon Tiger, State, and understood that IR 6714 had been put in form for COCOM use.

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8. Note: For information, the following is a record of this case - At the DG meeting of 5 August, MDAC requested I&G assistance in preparation of a paper "emphasizing the trade tactics aspect of Soviet petroleum offers." This request was considered at EDIC meetings of 4 November, and 9 and 21 December. EDIC/M-3, "Statement of EDIC Action on Current Requests", distributed on 21 December, indicated that EDIC comments on IR 6714 had been forwarded to OIR. At that meeting the OIR member explained "that no additional OIR work is anticipated on this paper, prepared in response to an MDAC request, since it had been approved in its present form by the requester." (Note: MDAC does not concur in this statement in the Minutes - ref: EDIC/M-4). The Executive Secretary forwarded G-2 comments to the OIR member by memorandum of 16 December 1954; G-2 and FOA comments, and a CIA contribution on "Soviet Bloc Potential to Export Petroleum in 1955" were forwarded by memorandum of 25 March 1955 to Mr. Gordon Tiger, State/OIR for use in revision of IR 6714.

9. Action - The OIR and MDAC members were requested to arrange necessary coordination for final preparation of this paper.

CONSIDERATION OF INTELLIGENCE REQUESTS:

EXPORT OF ORTHO-TOLUIDINE TO COMMUNIST CHINA

10. Discussion - EPC/Commerce requests (EDIC IR No. 7 of 1 June 1955) information on whether this commodity, presently unrated, is being used by the Chinese Communists for an avgas additive in view of heavy movements from Europe to the Communist mainland.

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11. Action - EDIC accepted this request which will be undertaken by CIA, AFOIN and ONI.

SOVIET BLOC USE OF BORAX PRODUCTS (BORIC ACID AND BORATES - I/L 3715)
FOR ROCKET FUEL AND OTHER JET PLANE APPLICATION

12. Discussion - BFC/Commerce and JOC request (EDIC IR No. 8) information to be used in determining whether the strategic rating of these commodities should be raised in view of their highly strategic application and strenuous Soviet bloc efforts to obtain them from the Free World.

25X1A9a 13. [REDACTED] reported that JOC had agreed to apply PD 810 to borax at its 23 May meeting. He informed the Committee that: a) available intelligence indicates the bloc to be the equal of the U.S. in research on the military application of this commodity group; b) little is known on actual Soviet military uses of borax; c) the U.S. has moved from research to actual production in this field; d) an effort is being made to guarantee sources to satisfy U.S. requirements which are not considered adequate even though 98 percent of known world production occurs in this country.

14. Action - It was agreed that the request would be accepted as an EDIC case and that an earlier paper, IWG/ID-15 on "Indications of Soviet Bloc Vulnerability to Controls of West-East Movement of Boron Compounds" would be updated and expanded in time to meet BFC and JOC requirements. CIA will assume responsibility for preparation of this paper.

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IMPACT OF FREE-WORLD TRADE CONTROLS ON THE SINO-SOVIET BLOC

15. Discussion - EDIC IR No. 11, submitted by OMB, requested that EDIC undertake to furnish information on: a) "the effects of varying degrees of security trade controls on the Communist Bloc (and Communist China) as a source of internal economic strain and political disunity within the Communist Bloc" and b) "the extent to which the economic effects or impact of the security trade program of the free world would affect the political stability of separate Communist regimes and the political unity of the Communist Bloc as a whole."

16. The Acting Chairman declared that sufficient time is not available for EDIC to produce a study of this magnitude, and that it would be presumptuous for EDIC to arrive at different conclusions than those already reached at the IAC level in National Intelligence Estimates (which all have arrived at generally the same conclusion regarding impact of controls). He suggested that implicit in this OMB request, which was submitted at the eleventh hour insofar as the Dodge Council deadline of 30 June is concerned, was the hope that EDIC would come up with answers contradicting those of the IAC.

17. The Acting Chairman referred to an earlier paper - ED/IC D-37/4 of 20 November 1953 on "Background and Position Paper for November 1953--Impact of Controls on ComBloc". He suggested that the OMB

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request could be approached on either an aggregative basis or through a compilation of specific examples as found in the referenced paper. Time does not permit recourse, however, to either of these methods. The OSD member was advised that a list of pertinent papers, including background research material, could be made available to Defense.

18. The OSD member declared that his Office is anxious to have EDIC undertake this project and that the Defense representatives on the Dodge Council working group had not been satisfied with work done on this aspect of the Council report. He observed that OSD would welcome a State contribution covering the political aspects of the subject. He requested that the Minutes reflect the judgment of the Committee and its reluctance to undertake this project.

19. Action - The Committee agreed that the OSD request should not be undertaken. The OSD member was requested to confirm whether his Office desired a list of pertinent background papers on this subject.

OTHER INTELLIGENCE MATTERS

Cancellation of ING Case 56 - Proposed Study of Soviet Trade Activities and Tactics in Non-COCOM Areas

20. The Executive Secretary explained, and the OIR member confirmed, that the requirements of this proposed case had been satisfied by a series of OIR and CIA papers. He observed, also, that two related EDIC cases, designed to provide current information in this field, are now pending. The Committee approved cancellation of this case.

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Status Report on Downgrading of CG/COCOM/CHINCOM Documents

21. Examples of a CIA memorandum of 27 May 1955 which transmitted the "CIA Position on Downgrading of CG/COCOM/CHINCOM Documents", with lists of those documents which must retain a SECRET classification, was circulated. The Acting Chairman commended the Executive Secretary for his diligence in completing this review of more than 3,000 documents, an undertaking which saved a heavy expenditure of manhours by other EDAC agencies.

Discontinuation of EDIC Distribution of OIR Reports

22. The Executive Secretary suggested that he discontinue such distribution since members were receiving duplicate copies from State and the Executive Secretary, EDAC. The Acting Chairman recalled that it had been agreed earlier that OIR papers produced to meet EDAC needs would be submitted for EDIC comment. He suggested that EDAC and the Executive Committee be asked to levy requests on EDIC in these instances when comments on OIR papers are desired. Members agreed to this new procedure and to the discontinuation of routine EDIC distribution of OIR reports.

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Executive Secretary

Distribution

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